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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/757,215	01/09/2001	Jeff Solomon	40102/00301	8297

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EXAMINER	
BORLINGHAUS, JASON M	
ART UNIT	**PAPER NUMBER**
3628	

DATE MAILED: 12/13/2004

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No.	Applicant(s)	
	09/757,215	SOLOMON ET AL.	
	Examiner	Art Unit	
	Jason M. Borlinghaus	3628	MW

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

1)☒ Responsive to communication(s) filed on *15 November 2002*.

2a)☐ This action is **FINAL**. 2b)☒ This action is non-final.

3)☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

4)☒ Claim(s) *1-15* is/are pending in the application.

4a) Of the above claim(s) _____ is/are withdrawn from consideration.

5)☐ Claim(s) _____ is/are allowed.

6)☒ Claim(s) *1-15* is/are rejected.

7)☐ Claim(s) _____ is/are objected to.

8)☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

9)☐ The specification is objected to by the Examiner.

10)☒ The drawing(s) filed on *09 January 2001* is/are: a)☒ accepted or b)☐ objected to by the Examiner.

Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).

Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).

11)☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

12)☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).

a)☐ All b)☐ Some * c)☐ None of:

1.☐ Certified copies of the priority documents have been received.

2.☐ Certified copies of the priority documents have been received in Application No. _____.

3.☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

1) ☒ Notice of References Cited (PTO-892)
2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
3) ☐ Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) Paper No(s)/Mail Date _____.
4) ☐ Interview Summary (PTO-413) Paper No(s)/Mail Date. _____ .
5) ☐ Notice of Informal Patent Application (PTO-152)
6) ☐ Other: _____.

DETAILED ACTION

Claim Rejections - 35 USC § 101

35 U.S.C. 101 reads as follows:

> Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

Claims 1 – 15 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter.

The basis of this rejection is set forth in a two-prong test of:

(1) whether the invention is within the technological arts; and

(2) whether the invention produces a useful, concrete, and tangible result.

For a claimed invention to be statutory, the claimed invention must be within the technological arts. Mere ideas in the abstract that do not apply, involve, use, or advance the technological arts fail to promote the "progress of science and the useful arts" and therefore are found to be non-statutory subject matter. For a process claim to pass muster, the recited process must somehow apply, involve, use, or advance the technological arts.

In the present case, Claims 1 – 15 only recite an abstract idea. Claims 1 – 15 do not apply, involve, use, or advance the technological arts since all of the recited steps can be performed in the mind of the user or by use a pencil and paper.

Additionally, for a claimed invention to be statutory, the claimed invention must produce a useful, concrete, and tangible result. In the present case, the claimed invention grants an issuer better control over the process of raising equity capital than a traditional firm commitment underwriting agreement.

Although the recited process produces a useful, concrete, and tangible result, since the claimed invention is not within the technological arts as explained above, Claims 1 – 15 are deemed to be directed to non-statutory subject matter.

Claim Rejections - 35 USC § 102

The following is a quotation of the appropriate paragraphs of 35 U.S.C. 102 that form the basis for the rejections under this section made in this Office action:

> A person shall be entitled to a patent unless –
>
> (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

Claims 1 – 15 are rejected under 35 U.S.C. 102(b) as being anticipated by Hazen (Hazen, Thomas Lee. *The Law of Securities Regulation: Third Edition*. St. Paul, MN. West Publishing Co. 1996. p. 72 – 78, 107 – 115 and 132 - 135. KF 1439.H39.)

Regarding Claim 1, Hazen discloses a method for raising capital comprising the steps of:

- generating a first agreement (best efforts underwriting agreement/letter of intent) between a first company (issuer) and a second company (best efforts underwriter), the first agreement (best efforts underwriting agreement)/letter of intent) granting the first company (issuer) an option to obligate the second company (best efforts underwriter) to sell a predetermined volume of equity (allotment) in the first company (issuer) according to a price structure (offering price), during a predefined time period (duration of offering). ("With a best efforts underwriting agreement the investment banker or brokerage firm,

rather than buying the securities from the issuer for resale to the public, sells them for the issuer merely as an agent." – see § 2.1, page 77.) (Hazen discloses, "There are numerous variations on the foregoing three basic types of underwriting arrangements...Investment bankers are continuing to develop variations on the foregoing methods." – see § 2.1, page 77 – establishing that there may be characteristics of both best efforts underwriting and firm commitment underwriting in the same underwriter.) (Hazen discloses that, "Under a typical firm commitment agreement the issuer sells the entire allotment outright to a group of ... underwriters." – see § 2.1, page 75 – establishing that one of the characteristics of firm commitment underwriting is underwriting a predetermined volume of equity). (Hazen discloses "First, and most common with regard to public offerings of securities in this country, is the <u>negotiated underwriting agreement</u> with an investment bank, or a group of investment bankers, which is usually conducted pursuant to full-fledged federal registration." – see § 2.1, page 74 – and "Issuers embarking 'on all or none' or 'part or none' offerings may be specific as to <u>the offering price, the duration of the offering, and the amount of securities that must be sold to make the offering effective.</u>" – see § 3.1, page 114 - establishing that the issuer can set terms for the offering such as price structure and time period.); and

- generating a second agreement (standby underwriting agreement/letter of intent) between the first company (issuer) and a third company (standby

underwriter), wherein, under the second agreement (standby underwriting agreement/letter of intent) the third company (standby underwriter) is obligated to remedy a predefined failure (failure of best efforts) of the second company (best efforts underwriter) to fulfill its obligations under the first agreement (best efforts underwriting agreement/letter of intent). ("...'stand-by' underwriting is insurance in its strictest sense...The underwriters guarantee to purchase the unsold portion of the allotment." – see § 2.1, page 75.) (Hazen discloses that "Underwriters' counsel will be preparing the underwriters' agreement with the issuer, agreement among underwriters and agreements for the selling group." – see § 3.1, page 112 – establishing that multiple underwriters with different negotiated terms may be included in a comprehensive underwriter agreement).

Regarding Claim 2, Hazen discloses a method wherein the first (best efforts underwriting agreement/letter of intent) and second (standby underwriting agreement/letter of intent) agreements take effect substantially simultaneously. (Hazen discloses that "Underwriters' counsel will be preparing the underwriters' agreement with the issuer, agreement among underwriters and agreements for the selling group." – see § 3.1, page 112 – establishing that multiple underwriters with different negotiated terms may be included in a comprehensive underwriter agreement).

Regarding Claim 3, Hazen discloses a method wherein the predefined failure of the second company (best efforts underwriter) is a failure of the second company to sell the predetermined volume of equity in the first company during the predefined time

period. (Hazen discloses "First, and most common with regard to public offerings of securities in this country, is the negotiated underwriting agreement with an investment bank, or a group of investment bankers, which is usually conducted pursuant to full-fledged federal registration." – see § 2.1, page 74 – and "Issuers embarking 'on all or none' or 'part or none' offerings may be specific as to the offering price, the duration of the offering, and the amount of securities that must be sold to make the offering effective." – see § 3.1, page 114 - establishing that the issuer can set terms for the offering such as volume of equity and time period.)

Regarding Claim 4, Hazen discloses a method wherein the third company (standby underwriter) is obligated by the second agreement (standby underwriting agreement/letter of intent) to remedy the predefined failure (failure of best efforts) of the second company (best effort underwriter) by purchasing an amount of equity in the first company (issuer) equal to the difference between the volume of equity in the first company (issuer) sold by the second company (best efforts underwriter) under the first agreement (best efforts underwriting agreement) and the predetermined volume of equity (terms of best efforts agreement). ("...'stand-by' underwriting is insurance in its strictest sense...The underwriters guarantee to purchase the unsold portion of the allotment." – see § 2.1, page 75.) (Hazen discloses "First, and most common with regard to public offerings of securities in this country, is the negotiated underwriting agreement with an investment bank, or a group of investment bankers, which is usually conducted pursuant to full-fledged federal registration." – see § 2.1, page 74 – and "Issuers embarking 'on all or none' or 'part or none' offerings may be specific as to the

<u>offering price, the duration of the offering, and the amount of securities that must be sold to make the offering effective.</u>" – see § 3.1, page 114 - establishing that the issuer can set terms for the offering such as volume of equity.)

Regarding Claim 5, Hazen discloses a method wherein a price which the third company (standby underwriter) is obligated to purchase the amount of equity in the first company (issuer) equal to the difference between the volume in the first company (issuer) sold by the second company (best efforts underwriter) under the first agreement (best efforts underwriting agreement/letter of intent) and the predetermined volume of equity is determined based on the second agreement (standby underwriting agreement/letter of intent). (Hazen discloses "First, and most common with regard to public offerings of securities in this country, is the <u>negotiated underwriting agreement</u> with an investment bank, or a group of investment bankers, which is usually conducted pursuant to full-fledged federal registration." – see § 2.1, page 74 – and "Issuers embarking 'on all or none' or 'part or none' offerings may be specific as to <u>the offering price, the duration of the offering, and the amount of securities that must be sold to make the offering effective.</u>" – see § 3.1, page 114 - establishing that the issuer can set terms for the offering such as volume of equity.)

Regarding Claim 6, Hazen discloses a method by which an Issuer of equity may raise capital by selling the equity, comprising the steps of:

- filing by the Issuer a registration with a government agency for the sale of equity in the Issuer. ("The registration statement is the basic disclosure document that must be filed with the SEC for 1933 Act registration." – see §

3.2, page 115.) ("After <u>the registrant</u> has completed all the necessary investigations and has prepared the registration statement according to the applicable registration form, disclosing all the required items, as discussed in the preceding sections, it is time for filing with the Commission." – see § 3.4, page 132);

- generating an Underwriting Agreement (best efforts underwriting agreement/letter of intent) between the Company (issuer) and an Underwriter (best efforts underwriter), the Underwriting Agreement (best efforts underwriting agreement/letter of intent) setting forth terms and conditions under which the Underwriter (best efforts underwriter) will sell the Issuer's equity. (Hazen discloses "First, and most common with regard to public offerings of securities in this country, is the <u>negotiated underwriting agreement</u> with an investment bank, or a group of investment bankers, which is usually conducted pursuant to full-fledged federal registration." – see § 2.1, page 74 – and "Issuers embarking 'on all or none' or 'part or none' offerings may be specific as to <u>the offering price, the duration of the offering, and the amount of securities that must be sold to make the offering effective.</u>" – see § 3.1, page 114 - establishing that the issuer can set terms for the offering.);
- generating a Standby Agreement (standby underwriting agreement/letter of intent) between the Issuer and a Capital Company (standby underwriter) obligating the Capital Company (standby underwriter) remedy a predefined failure (failure of best efforts) of the Underwriter (best efforts underwriter)

under the Underwriter Agreement (best efforts underwriting agreement/letter of intent). ("…'stand-by' underwriting is insurance in its strictest sense…The underwriters guarantee to purchase the unsold portion of the allotment." – see § 2.1, page 75.);

- forwarding from the Issuer to the Underwriter (best efforts underwriter) a Capital Demand Notice (offering terms) setting forth terms for a particular sale of Issuer's equity. (Hazen discloses "First, and most common with regard to public offerings of securities in this country, is the <u>negotiated underwriting agreement</u> with an investment bank, or a group of investment bankers, which is usually conducted pursuant to full-fledged federal registration." – see § 2.1, page 74 – and "Issuers embarking 'on all or none' or 'part or none' offerings may be specific as to <u>the offering price, the duration of the offering, and the amount of securities that must be sold to make the offering effective.</u>" – see § 3.1, page 114 - establishing that the issuer can set terms for the offering such as defining terms through a Capital Demand Notice.) (Hazen discloses that "In many such cases such questions are merely academic as it is common that the final underwriting agreement is not signed until the eve of the offering. Prior to that time the issuer and underwriter operate under a nonbinding letter of intent." – see § 2.1, page 76 – establishing that offering terms can be communicated to the underwriter after an agreement/letter of intent has been achieved.);

- indicating by the Underwriter (best efforts underwriter) one of an acceptance and a rejection of the Capital Demand Notice based on a review of information (due diligence review) regarding the Issuer and the Capital Demand Notice (offering terms). ("The underwriters will not only be engaged in the preliminary steps in forming the underwriting syndicate but will also be enmeshed in substantial factual investigation's condition; this investigation is to assure the offering will be marketable and also to make certain that all disclosures are accurate." – see § 3.1, pages 107 – 108.) (Hazen discloses that, "In many such cases such questions are merely academic as it is common that the final underwriting agreement is not signed until the eve of the offering. Prior to that time the issuer and underwriter operate under a nonbinding letter of intent." – see § 2.1, page 76 – establishing that offering terms can be accepted or rejected by the underwriter after an agreement/letter of intent has been achieved.); and
- obtaining from the Capital Company (standby underwriter) a remedy (purchase of remaining best efforts underwriter equity), upon the occurrence of the predefined failure (failure of best efforts) of the Underwriter (best efforts underwriter) under the Underwriting Agreement (best efforts underwriting agreement/letter of intent). ("...'stand-by' underwriting is insurance in its strictest sense...The underwriters guarantee to purchase the unsold portion of the allotment." – see § 2.1, page 75.)

Regarding Claim 7, Hazen discloses a method wherein the criteria on which the Underwriter (best efforts underwriter) may indicate the one of acceptance and rejection of the Capital Demand Notice (offering terms) are set forth in the Underwriting Agreement (best efforts underwriting agreement/letter of intent). (Hazen discloses "First, and most common with regard to public offerings of securities in this country, is the negotiated underwriting agreement with an investment bank, or a group of investment bankers, which is usually conducted pursuant to full-fledged federal registration." – see § 2.1, page 74 – and "Issuers embarking 'on all or none' or 'part or none' offerings may be specific as to the offering price, the duration of the offering, and the amount of securities that must be sold to make the offering effective." – see § 3.1, page 114 - establishing that the issuer can set terms for the offering such as stating the method of acceptance and rejection by the underwriter.) (Hazen discloses that, "In many such cases such questions are merely academic as it is common that the final underwriting agreement is not signed until the eve of the offering. Prior to that time the issuer and underwriter operate under a nonbinding letter of intent." – see § 2.1, page 76 – establishing that offering terms can be accepted or rejected by the underwriter after an agreement/letter of intent has been achieved.)

Regarding Claim 8, Hazen discloses a method wherein the predefined failure (failure of best efforts) of the Underwriter (best efforts underwriter) is a failure to sell a volume of equity set forth in an accepted Capital Demand Notice (offering terms). (Hazen discloses "First, and most common with regard to public offerings of securities in this country, is the negotiated underwriting agreement with an investment bank, or a

group of investment bankers, which is usually conducted pursuant to full-fledged federal registration." – see § 2.1, page 74 – and "Issuers embarking 'on all or none' or 'part or none' offerings may be specific as to the offering price, the duration of the offering, and the amount of securities that must be sold to make the offering effective." – see § 3.1, page 114 - establishing that the issuer can set terms for the offering such equity volume.)

Regarding Claim 9, Hazen discloses a method wherein the Standby Agreement (standby underwriting agreement/letter of intent) obligates the Capital Company (standby underwriter) to remedy the predefined failure (failure of best efforts) of the Underwriter (best efforts underwriter) by purchasing an amount of equity in the Issuer equal to the difference between a volume of equity actually sold by the Underwriter (best efforts underwriter) in accord with the accepted Capital Demand Notice (offering terms) and the volume of equity set forth in the accepted Capital Demand Notice (offering terms). ("...'stand-by' underwriting is insurance in its strictest sense...The underwriters guarantee to purchase the unsold portion of the allotment." – see § 2.1, page 75.)

Regarding Claim 10, Hazen discloses a method wherein a price at which the Capital Company (standby underwriter) is obligated to purchase the volume of equity in the Issuer equal to the difference between a volume of equity actually sold by the Underwriter (best efforts underwriter) in accord with the accepted Capital Demand Notice (offering terms) and the volume of equity set forth in the accepted Capital demand Notice (offering terms) is determined based on the Standby Agreement

(standby underwriting agreement/letter of intent). (Hazen discloses "First, and most common with regard to public offerings of securities in this country, is the negotiated underwriting agreement with an investment bank, or a group of investment bankers, which is usually conducted pursuant to full-fledged federal registration." – see § 2.1, page 74 – and "Issuers embarking 'on all or none' or 'part or none' offerings may be specific as to the offering price, the duration of the offering, and the amount of securities that must be sold to make the offering effective." – see § 3.1, page 114 - establishing that the issuer can set terms for the operation of the standby underwriting agreement/letter of intent.)

Regarding Claim 11, Hazen discloses a method wherein the Underwriting Agreement (best efforts underwriting agreement/letter of intent) sets forth a Blocking Event (escape clause), wherein, upon occurrence of the Blocking Event (escape clause), the obligations of the Underwriter (best efforts underwriter) are one of completely and partially discharged. ("Underwriting agreements may contain an escape clause which permits the underwriting group to terminate the underwriting agreement if there has been a substantial change in the issuer's operation or, for example, if there has been a change in 'operating political or marketing conditions'" – see § 2.1, page 76).

Regarding Claim 12, Hazen discloses a method wherein the Underwriting Agreement (best efforts underwriting agreement/letter of intent) sets forth terms and conditions under which the Underwriter (best efforts underwriter) may purchase an additional volume of equity (allotment) above that set forth in an accepted Capital

Demand Notice (offering terms). ("With a best efforts underwriting agreement the investment banker or brokerage firm, rather than buying the securities from the issuer for resale to the public, sells them for the issuer merely as an agent." – see § 2.1, page 77.) (Hazen discloses, "There are numerous variations on the foregoing three basic types of underwriting arrangements...Investment bankers are continuing to develop variations on the foregoing methods." – see § 2.1, page 77 – establishing that there may be characteristics of both best efforts underwriting and firm commitment underwriting in the same underwriter.) (Hazen discloses that, "Under a typical firm commitment agreement the issuer sells the entire allotment outright to a group of ... underwriters." – see § 2.1, page 75 – establishing that one of the characteristics of firm commitment underwriting is underwriting a defined volume of equity). (Hazen discloses "First, and most common with regard to public offerings of securities in this country, is the negotiated underwriting agreement with an investment bank, or a group of investment bankers, which is usually conducted pursuant to full-fledged federal registration." – see § 2.1, page 74 – and "Issuers embarking 'on all or none' or 'part or none' offerings may be specific as to the offering price, the duration of the offering, and the amount of securities that must be sold to make the offering effective." – see § 3.1, page 114 - establishing that the issuer can set terms for the purchasing of an additional volume of equity.)

Regarding Claim 13, Hazen discloses a method wherein the Blocking Event (escape clause) corresponds to a predetermined change in a market price of the Issuer's equity (marketing conditions). ("Underwriting agreements may contain an

escape clause which permits the underwriting group to terminate the underwriting agreement if there has been a substantial change in the issuer's operation or, for example, if there has been a change in 'operating political or marketing conditions'" – see § 2.1, page 76).

Regarding Claim 14, Hazen discloses a method wherein the Blocking event (escape clause) corresponds to a predetermined change in a market index value (marketing conditions). ("Underwriting agreements may contain an escape clause which permits the underwriting group to terminate the underwriting agreement if there has been a substantial change in the issuer's operation or, for example, if there has been a change in 'operating political or marketing conditions'" – see § 2.1, page 76).

Regarding Claim 15, Hazen discloses a method wherein, up to the acceptance of the Capital Demand Notice (offering terms), the Issuer maintains control of the terms and conditions of sales of equity under the Underwriting Agreement (best efforts underwriting agreement/letter of intent). (Hazen discloses that, "In many such cases such questions are merely academic as it is common that the final underwriting agreement is not signed until the eve of the offering. Prior to that time the issuer and underwriter operate under a nonbinding letter of intent." – see § 2.1, page 76 – establishing that the underwriting agreement/letter of intent is non-binding until the offering terms are offered by issuer and accepted by the underwriter.)

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Jason M. Borlinghaus whose telephone number is (703) 308-9552. The examiner can normally be reached on 8:30am-5:00pm M-F.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Hyung Sough can be reached on (703) 308-0505. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see http://pair-direct.uspto.gov. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

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